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**2, BRITAIN FAVORS STATIONING IRAQI TROOPS
IN JORDAN**

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The British Foreign Office is convinced it would be desirable from the stand-point of Western interests to have Iraq station troops in Jordan, as requested by Jordan's King Hussain. In particular, London believes such a move would greatly enhance Iraq's prestige at the expense of Nasr's in the entire region.

According to the American embassy in London, the Foreign Office appears confident that it could allay any of Israel's fears which might result from Iraq's movement into Jordan.

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Israeli prime minister Ben-Gurion has said Israel would not attack Jordan as a result of movement of Iraqi troops into Jordan as long as the troops remain east of the Jordan River.

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**3. USSR RENEWS OFFER OF ECONOMIC ASSISTANCE
TO IRAN**

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[Redacted]

The Shah informed Ambassador Chapin on 30 September that N. M. Pegov, the new Soviet ambassador to Iran, told him that the USSR is ready to give Iran economic assistance of any kind and in almost any amount Iran wishes to name. Specifically, Pegov proposed joint construction of a million-kilowatt hydroelectric project on the Araks River on Iran's northwest border with the USSR. The USSR offered to submit plans shortly for Iranian concurrence.

Comment When the Shah visited the Soviet Union in July, he was assured by Soviet leaders that the USSR was prepared to give Iran unconditional large-scale assistance for its economic development, but no specific offers were made. The Shah indicated interest at the time in common development of water resources along the border.

The present offer comes at a time when Iran faces serious economic problems and is uncertain of the extent of aid from the West, and will be difficult for Tehran to reject.

In its negotiations with Afghanistan, Burma and Indonesia, the USSR quickly followed up acceptance of initial general offers of economic assistance with specific proposals on terms and projects.

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4. THREAT OF VIOLENCE INCREASES IN HONDURAS

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The political struggle in Honduras is approaching a crisis, and the election of a constituent assembly scheduled for 7 October seems likely to provoke disorders and, possibly, an attempted revolt. The election will be rigged against the Nationalist and Liberal Parties on behalf of a government-supported National Union slate dominated by the small Reformist Party.

The Nationalists, angered at illegal government actions against them, announced on 1 October that they would boycott the election. The Liberals, whose hatred for the government surpasses their traditional enmity for the Nationalists, have considered co-operation on common political action with the Nationalists. Together, the two parties polled 79 percent of the votes in the relatively free 1954 national elections. There are indications that Nationalist Party chief Carias may now be preparing for armed action against the government.

The ailing Julio Lozano, whose strenuous efforts to create a stable coalition government have led merely to an increase in tension, temporarily turned the government over to popular ex-president Galvez last month. Lozano's return as chief of state, which may occur before the election, would probably spark serious disorders.

Most top army leaders are loyal to Galvez and Lozano and could probably suppress a revolt at this time.

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BIWEEKLY SUMMARY
(20 September-3 October 1956)

THE TAIWAN STRAIT

**Report of the IAC Current Intelligence Group
for the Taiwan Strait Problem**

1. The only noteworthy combat activity during the period occurred when four Chinese Nationalist F-84's on a reconnaissance mission along the South China coast on 1 October were engaged by four Chinese Communist jet fighters near Swatow. In the ensuing engagement two Communist aircraft were damaged, according to Chinese Nationalist claims, and one F-84 received minor damage. The incident appears to have been a chance encounter between the Nationalist aircraft and a Communist jet fighter patrol on a routine mission.

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2. The eighth congress of the Chinese Communist Party, which concluded on 27 September, and statements made on National Day (1 October) reiterated Peiping's intention to "liberate" Taiwan by either peaceful or other means, but this theme received little stress.

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3. In a statement on 21 September on the Johnson-Wang talks at Geneva, the Chinese Communist Foreign Ministry indicated that it regards further discussion of the question of renunciation of force as fruitless and proposed that the talks move on to the question of trade controls. The tone of the statement was moderate and gave no indication of any Chinese intention to break off the talks at this time.

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